

No. 8/3/DPNP

Jakarta, January 30, 2006

**CIRCULAR LETTER**

**To**

**ALL COMMERCIAL BANKS**

**CONDUCTING CONVENTIONAL BUSINESS ACTIVITIES**

**IN INDONESIA**

Concerning: Altered Calculation of Risk-Weighted Assets for Small  
Business Loan, House Ownership Loan and  
Employee/Retirement Loan

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With the issuance of Bank Indonesia Regulation Number 3/21/PBI/2001 dated December 13, 2001 concerning Capital Adequacy Ratio for Commercial Banks, it is necessary to alter the calculation for risk-weighted asset for Small Business Loan, House Ownership Loan, and Employee/Retirement Loan in a Bank Indonesia Circular Letter that comprises the following provisions:

**I. GENERAL PROVISIONS**

1. In accordance with the effort to stimulate the economy and improve people's welfare, Bank Indonesia considers the necessity to improve the role of

banking...

banking in funding economic activities especially in terms of providing financial support for small business enterprises, house ownership loan and for employees/retired employees.

2. The policy to improve the role of banking shall be applied by issuing the provisions considering the risk weight upon Small Business Loan (KUK), House Ownership Loan and Employee/Retirement Loan in the calculation of risk-weighted asset for loans that comply with the requirements as stated in this Bank Indonesia Circular Letter. Loans that do not meet the requirements as regulated in this Bank Indonesia Circular Letter shall be subjected to the risk weight based on the applicable provisions.

## II. CALCULATION OF RISK-WEIGHTED ASSETS (ATMR)

### 1. Risk Weight for Small Business Loan (KUK)

In the calculation of Risk-Weighted Assets, Small Business Loan shall be subjected to a risk weight of 85% (eighty five percent).

The Small Business Loan being subjected to the risk weight is the loan that fulfills the requirements as regulated in the provisions of Bank Indonesia concerning the Issuance of Small Business Loan.

### 2. Risk Weight for House Ownership Loan (KPR)

In the calculation of Risk-Weighted Assets, House Ownership Loan shall be subjected to a risk weight of 40% (forty percent).

The House Ownership Loan being subjected to that risk weight is the loan guaranteed by first mortgage for own residence purposes, in the form of

loans ...

loans to purchase or repair/renovate the house or apartment.

3. Risk Weight for Employee/Retirement Loan

In the calculation of Risk-Weighted Assets, Employee/Retirement Loan shall be subjected to a risk weight of 50% (fifty percent).

Employee/Retirement Loan subjected to that risk weight shall be the loan that complies with the following requirements:

- a. Employee/retirement receiving the loan shall be:
  - 1) civil service officers (PNS), officers of TNI/POLRI, employees in state institutions or employees of State/Regional Government Owned Enterprises (BUMN/BUMD);
  - 2) retired officers from the civil service (PNS), retired officers of TNI/POLRI, retired employees from state institutions or State/Regional Government Owned Enterprises (BUMN/BUMD);
- b. The maximum total credit ceiling is Rp. 500.000.000,00 (five hundred million rupiahs);
- c. The employees/retired employees are insured with life insurance schemes from state owned insurance companies or private insurance companies having a minimum investment rating issued by a rating institution with the approval from Bank Indonesia as regulated by the applicable provisions of Bank Indonesia concerning Rating Institution and Approved Rating by Bank Indonesia;
- d. The payment/settlement for the loan shall be deducted from the

salary/pension ...

salary/pension based on Power of Attorney for Salary/Pension Deduction to the Bank that issues the loan. In the case that salary/pension payment is conducted through a different Bank or State Owned Enterprises, the loan issuing Bank must have a working agreement with that concerning Bank as the paying agency for salary/pension in order to perform salary/pension deduction to pay off/settle the loan; and

- e. The Bank shall keep the original letter of appointment or pension letter or Pension Registration Card (KARIP) and the life insurance policy of the debtor.
4. With the alteration to the calculation of Risk-Weighted Assets as regulated in this Bank Indonesia Circular Letter, it is necessary to adjust the calculation guide for Risk-Weighted Assets based on Monthly Report for Commercial Banks according to Appendix 1 of this Bank Indonesia Circular Letter.

### III. REPORTING

1. A Bank must give monthly report to Bank Indonesia concerning Employee/Retirement Loan having complied with the requirements as referred to in number II.3, according to Appendix 2 of this Bank Indonesia Circular Letter no later than the 24<sup>th</sup> of the following month. If the 24<sup>th</sup> falls on a Saturday/Sunday/holiday, the report must be submitted one day prior to that day.

2. The report ...

2. The report referred to in number 1 shall be submitted to Bank Indonesia at the following address:
  - a. the concerning Directorate of Bank Supervision, Jl. M.H. Thamrin No. 2, Jakarta 10110 for a Bank having its head office in the working area of Bank Indonesia head office;
  - b. Bank Indonesia regional office, for a Bank having a head office outside the working area of Bank Indonesia head office.
3. In the case that a Bank fails to submit a report as referred to in number 1, the calculation of Risk-Weighted Assets shall be based on the data provided in the Monthly Report of Commercial Banks.
4. The obligation to submit report as referred to in number 1 shall only be applied until the provisions concerning the improvement of Monthly Report for Commercial Banks are promulgated.

#### IV. CONCLUDING PROVISIONS

1. With the promulgation of this Bank Indonesia Circular Letter:
  - a. Appendix 3 number I of Bank Indonesia Circular Letter Number 26/1/BPPP dated May 29, 1993 concerning Capital Adequacy Ratio for Commercial Banks; and
  - b. Appendix of Bank Indonesia Circular Letter Number 2/12/DPNP dated June 12, 2000 concerning Assessment on Productive Asset in Risk-Weighted Asset Calculation;is declared no longer valid.

2. With the ...

2. With the promulgation of this Bank Indonesia Circular Letter, Appendix 13a of Bank Indonesia Circular Letter Number 7/10/DPNP dated March 31, 2005 concerning Amendment to Bank Indonesia Circular Letter Number 3/30/DPNP dated December 14, 2001 concerning Quarterly and Monthly Published Financial Report of Commercial Banks and Special Report submitted to Bank Indonesia shall be adjusted to the provisions in this Bank Indonesia Circular Letter.

The provisions in this Bank Indonesia Circular Letter shall come into force on March 31, 2006.

For the public to be informed, it is ordered that this Bank Indonesia Circular Letter be promulgated in the State Gazette of the Republic of Indonesia.

Kindly be informed.

BANK INDONESIA,

MAMAN H. SOMANTRI

DEPUTY GOVERNOR